



Arnold Schwarzenegger
Governor

March 16, 2010
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Ms. Jacqueline R. Debets, Executive Director
Humboldt County Workforce Investment Board
820 E Street
Eureka, CA 95501

Dear Ms. Debets:

WORKFORCE INVESTMENT ACT
FISCAL AND PROCUREMENT REVIEW
FINAL MONITORING REPORT
PROGRAM YEAR 2008-09

This is to inform you of the results of our review for Program Year (PY) 2008-09 of the Humboldt County Workforce Investment Board's (HCWIB) Workforce Investment Act (WIA) grant financial management and procurement systems. This review was conducted by Mr. David Jansson from April 20, 2009 through April 24, 2009. For the fiscal portion of the review, we focused on the following areas: fiscal policies and procedures, accounting system, reporting, program income, expenditures, internal control, allowable costs, cash management, cost allocation, indirect costs, cost/resource sharing, fiscal monitoring of subrecipients, single audit and audit resolution policies and procedures for its subrecipients, and written internal management procedures. For the procurement portion of the review, we examined procurement policies and procedures, methods of procurement, procurement competition and selection of service providers, cost and price analyses, contract terms and agreements, and property management.

Our review was conducted under the authority of Section 667.410(b)(1), (2) & (3) of Title 20 of the Code of Federal Regulations (20 CFR). The purpose of this review was to determine the level of compliance by HCWIB with applicable federal and state laws, regulations, policies, and directives related to the WIA grant regarding financial management and procurement for PY 2008-09.

We collected the information for this report through interviews with representatives of HCWIB, a review of applicable policies and procedures, and a review of documentation retained by HCWIB for a sample of expenditures and procurements for PY 2008-09.

We received your response to our draft report on November 18, 2009, and reviewed your comments and documentation before finalizing this report. Because your response did not address the finding cited in the draft report, we consider this finding

unresolved. We requested that HCWIB provide the Compliance Review Office (CRO) with additional documentation to resolve the issue that led to the finding. Therefore, this finding remains open and has been assigned Corrective Action Tracking System (CATS) number 90227.

BACKGROUND

The HCWIB was awarded WIA funds to administer a comprehensive workforce investment system by way of streamlining services through the One-Stop delivery system. For PY 2008-09, the HCWIB was allocated: \$436,155 to serve 115 adult participants; \$458,279 to serve 147 youth participants; and \$526,083 to serve 81 dislocated worker participants.

For the quarter ending December 31, 2008, the HCWIB reported the following expenditures and enrollments for its WIA programs: \$138,286 to serve 83 adult participants; \$181,240 to serve 100 youth participants; and \$184,608 to serve 81 dislocated worker participants.

FISCAL REVIEW RESULTS

While we conclude that, overall, HCWIB is meeting applicable WIA requirements concerning financial management, we noted an instance of noncompliance in the area of resource sharing agreements (RSA). The finding that we identified in this area, our recommendation, and HCWIB's proposed resolution of the finding is specified below.

FINDING 1

Requirement: WIA Section 121(c)(2)(A)(ii) states, in part, that the local board shall develop and enter into a memorandum of understanding concerning the operation of the one-stop delivery system in the local area that shall contain provisions describing how the costs of services and the operating costs of the system will be funded.

U.S. Department of Labor Comprehensive Financial Management Technical Assistance Guide (TAG) states, in part, that the last step in the process of cost allocation and resource sharing in the One-Stop is developing the RSA. The RSA is defined in the TAG as the plan and supporting documentation for the processes used by the One-Stop operator and partners to define, allocate, and fund the shared costs of the One-Stop. Further, both the statute and the regulations require the MOU to address how the costs of the One-Stop system will be shared and how those costs will be paid by each of the partners.

29 CFR 97.24(b)(6) states, in part, that costs and third party in-kind contributions counting towards satisfying a cost sharing or matching requirement must be verifiable from the records of grantees and subgrantee or cost-type contractors. These records must show how the value placed on third party in-kind contributions was derived.

Observation: The HCWIB stated each partner contributed in-kind contributions to the One-Stop operation. However, HCWIB was unable to provide documentation of each partner's in-kind contributions, i.e. an RSA. As a result, it appears the HCWIB is paying for costs of its partners.

Recommendation: We recommended that HCWIB provide CRO with a copy of a resource sharing agreement, or equivalent document, describing the in-kind contributions of its partners according to 29 CFR 97.24(b)(6) referenced above.

HCWIB Response: The HCWIB stated that staff is amending the current resource sharing agreement to better reflect the actual shared costs of the one-stop center. This document is being reviewed by the operating consortium of one-stop partner agencies and HCWIB staff anticipates the amendment to be signed in January 2010.

Additionally, HCWIB stated that they have also designed and implemented an in-kind contribution reporting form. This form will quantify the actual in-kind contributions of each of the partners collocated at the one-stop center. The HCWIB will collect the reports from the one-stop partners on a quarterly basis. The reporting forms have been distributed to the partners and the completed first quarter reports are due back to HCWIB on December 4, 2009.

State Conclusion: Based on HCWIB's response, we cannot resolve this issue at this time. As of February 4, 2010, the RSA amendment has not been completed. However, HCWIB provided copies of the proposed in-kind contributions form, but not the PY 2009-10 first quarter amounts. Therefore, we recommend that HCWIB complete its CAP and provide the requested resource sharing agreement amendment, or equivalent document describing the in-kind contributions of its partners according to 29 CFR 97.24(b)(6) referenced above. This finding remains open and is assigned CATS number 90227.

PROCUREMENT REVIEW RESULTS

We conclude that, overall, HCWIB is meeting applicable WIA requirements concerning procurement.

We provide you up to 20 working days after receipt of this report to submit to the Compliance Review Office your response to this report. Because we faxed a copy of this report to your office on the date indicated above, we request your response no later than April 14, 2010. Please submit your response to the following address:

Compliance Monitoring Section
Compliance Review Office
722 Capitol Mall, MIC 22M
P.O. Box 826880
Sacramento, CA 94280-0001

In addition to mailing your response, you may also FAX it to the Compliance Monitoring Section at (916) 654-6096.

Because the methodology for our monitoring review included sample testing, this report is not a comprehensive assessment of all of the areas included in our review. It is HCWIB's responsibility to ensure that its systems, programs, and related activities comply with the WIA grant program, Federal and State regulations, and applicable State directives. Therefore, any deficiencies identified in subsequent reviews, such as an audit, would remain HCWIB's responsibility.

Please extend our appreciation to your staff for their cooperation and assistance during our review. If you have any questions regarding this report or the review that was conducted, please contact Ms. Mechelle Hayes at (916) 654-1292.

Sincerely,



JESSIE MAR, Chief
Compliance Monitoring Section
Compliance Review Office

cc: Linda Beattie, MIC 50
Greg Gibson, MIC 50
Jose Luis Marquez, MIC 50
Daniel Patterson, MIC 45